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Senate Rural and Regional Affairs and Transport Committee  
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### **Submission in Support of the Sydney Airport Demand Management Amendment Bill 2024 [Provisions]**

The Australian Airports Association (AAA) appreciates the opportunity to contribute to the inquiry into the Sydney Airport Demand Management Amendment Bill 2024 [Provisions]. We firmly support these reforms, which represent a pivotal step toward modernising the slot allocation system at Sydney Airport, ensuring it meets current consumer needs and aligns with global best practices.

With over 340 airports and aerodromes and more than 150 corporate members across Australia, the AAA is dedicated to fostering a robust and competitive aviation landscape. The proposed amendments are not only timely but necessary, as they address clear consumer concerns while also responding to recommendations from the Australian Government's Aviation White Paper (2024).

The Sydney Airport Demand Management Amendment Bill 2024 presents a crucial opportunity to modernise Sydney Airport's slot allocation system, addressing long-standing inefficiencies that hinder competition and lead to poor passenger outcomes. The Bill introduces several key reforms aimed at fostering a more transparent, equitable, and competitive aviation market. These include a competitive tender process for slot allocation, stricter penalties for slot misuse, and the introduction of recovery periods following significant operational disruptions. Additionally, the Bill empowers the Slot Manager and Compliance Committee to ensure proper enforcement and management of the system. By implementing these reforms, the legislation seeks to enhance connectivity, promote consumer choice, and support regional communities while positioning Sydney Airport to meet future challenges in line with global best practices.

Sydney Airport serves as a crucial hub for both domestic and international travel, managing over 40 million passengers annually, but has recovered at a slower rate relative to Brisbane and Melbourne according to the latest Australian Competition and Consumer Commission (ACCC) domestic airline monitoring report.<sup>12</sup> This recovery is exacerbated by inefficiencies in the current slot management system, with major airlines controlling approximately 72% of all available slots, limiting competition and hindering the ability of new and regional airlines to enter the market.<sup>2</sup>

Additionally, cancellation rates remain a significant concern. Despite an overall long-term cancellation rate of 2.3% at Sydney Airport, major domestic airlines experience much higher rates on key routes:

- Sydney to Melbourne: Qantas (8.4%), Jetstar (11.3%), Virgin Australia (9%)
- Sydney to Canberra: Qantas (10.7%), Virgin Australia (4%)

<sup>1</sup> Sydney Airport [Traffic and Operational Performance Q2 2024](#), Media Release 23 July 2024, p3

<sup>2</sup> Australian Competition and Consumer Commission (ACCC), [Domestic Airline Competition in Australia, August 2024 Report](#), p9

- Sydney to Brisbane: Qantas (3.9%), Jetstar (10.1%), Virgin Australia (6.3%)<sup>3</sup>

These higher cancellation rates suggest that slots are being misused, contributing to operational inefficiencies as unnecessary flights are scheduled and canceled for strategic slot retention purposes. The existing slot allocation system, in place since 1997, has become a barrier to competition, allowing a duopoly that stifles the entry of new carriers and ultimately limits consumer choice. This has led to inflated prices, and restricted access for regional airlines and consumers alike.

The recent collapse of Bonza and Rex starkly illustrate the challenges faced by new entrants and highlight the urgent need for improved access to slots. Recent Airservices analysis of the top ten domestic routes underscores this issue, showing that capital-capital routes like Sydney-Melbourne are dominated by the two major incumbent carrier groups monopolising slots, which limits the ability of challenger airlines to sustain or grow operations.<sup>4</sup> The proposed slot reforms are crucial for leveling the playing field, ensuring better access for new entrants and providing for a regime that could foster a more competitive aviation market in the future.

The AAA commends the government's plan to implement a competitive tender process for slot management. This initiative is expected to enhance transparency, reduce any perceived conflicts of interest, and modernise the allocation system for all airlines, benefiting both operators and passengers alike. These reforms are particularly vital as Sydney Airport prepares for coordination with the upcoming Western Sydney International Airport, scheduled to open in 2026, reinforcing a competitive and resilient aviation network.

Furthermore, the introduction of a recovery period following major weather events is set to alleviate significant disruptions that have plagued the national aviation network. This structured recovery approach will allow airlines to offer greater operational stability, leading to fewer cancellations and improved passenger experiences. However, it is crucial that the parameters governing the trigger for recovery periods are not too conservative. If they are, there is a risk that the recovery mechanism will only be activated a few times per year, which would significantly limit its practical impact. Ensuring that the threshold for triggering recovery periods is set appropriately will maximise the system's effectiveness and deliver more consistent operational improvements.

The Sydney Airport Demand Management Amendment Bill 2024 includes provisions regarding the delegation of powers by the Secretary. Specifically, Section 22 of the Bill permits the Secretary to delegate their functions or powers to another Senior Executive Service (SES) employee or an acting SES employee.<sup>5</sup> This delegation mechanism is designed to enable timely and efficient decision-making, particularly in situations like declaring recovery hours following significant disruptions.

While the AAA supports the need for timely decision-making particularly in instances such as the declaration of recovery hours, there are concerns regarding the extent of delegations especially when these powers could be transferred to an acting SES employee. To address this, it is essential that any delegation of authority is accompanied by clear guidelines to ensure accountability, with delegated powers being exercised only by those with the requisite expertise and experience. This will prevent potential gaps in decision-making that may arise due to a lack of specialised knowledge or experience. Given the complexity and significance of slot management at Sydney Airport, decisions made under delegated authority must be handled by experienced and well-informed officials. We advocate for the introduction of mandatory periodic reviews of delegated decisions to ensure continued alignment with the legislative objectives and ensure best practices are upheld. The AAA advocates for tighter

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<sup>3</sup> Sydney Airport's [Aviation Green Paper Submission](#), 1 December 2023, P23

<sup>4</sup> Airservices Australia [Australian Aviation Network Overview](#), September 2024, p10

<sup>5</sup> Schedule 1 Amendments to the [Sydney Airport Demand Management Amendment Act 1997](#). Sections 71 and 71A

safeguards to ensure that delegations are not exercised without the necessary expertise and accountability.

Ongoing accessibility for regional communities is also a cornerstone of these reforms. Ensuring that flights from underserved areas are accommodated is crucial for regional residents who rely on air travel for essential services, including healthcare and education. Maintaining slot availability for regional airlines will ensure connectivity for these communities. This is especially important as Australia seeks to revive its tourism and aviation sectors in the post-COVID-19 landscape.

For consumers, heightened competition and improved slot management will lead to more affordable fares, higher service quality, and fewer cancellations. Business travellers will experience reduced opportunity costs stemming from delays and cancellations. The quicker these reforms are implemented, the sooner consumers can enjoy their benefits.

It is essential that the parliament acts promptly to enact the necessary legislation. Any delay in implementation would prolong the operational challenges that have beleaguered Sydney Airport for far too long. The swift collapse of two airlines within a short timeframe highlights the fragility of the aviation sector and the urgent need for reforms to bolster competition and sustainability, ensuring the aviation sector is equipped to meet future challenges and opportunities.

The AAA calls upon both the government and the opposition to collaborate in passing these essential reforms without delay. Establishing a competitive, transparent, and equitable slot management system at Sydney Airport is vital for the future of Australia's aviation industry. Further postponement would disadvantage passengers, airlines, and regional communities alike.

The AAA remains committed to facilitating the implementation of these reforms, which we believe will transform Australia's aviation landscape, enhancing connectivity, competition, and consumer choice. We look forward to working closely with the parliament to ensure the successful passage and implementation of these reforms and to contributing to broader discussions regarding the future of Australia's aviation sector as we work to implement initiatives in the Australian Government's Aviation White Paper.

Thank you for considering this critical issue.

Yours sincerely,

Natalie Heazlewood

**Head of Policy and Advocacy**